



Keystone Bank Limited and Subsidiary Companies  
Consolidated and Separate Financial Statements - 31 December 2012

BANK

31 December 2011

	Balance exposed to foreign currency risk					Total N'000
	Balance in Functional currency N'000	USD N'000	GBP N'000	Euro N'000	Others N'000	
<b>Financial assets</b>						
Cash and balances with CBN	29,927,077	1,782,025	290,671	322,142	-	32,321,915
Due from other banks	36,978,028	5,530,233	25,106	2,549,157	37,049	45,119,574
Loans and advances to customers	46,251,659	9,990,703	-	-	-	56,242,362
Investment securities	119,131,940	5,211,277	-	-	-	124,343,216
Financial assets held for trading	28,550,028	-	-	-	-	28,550,028
Pledged assets	6,629,968	-	-	-	-	6,629,968
Other assets	-	-	-	-	-	-
	267,468,700	22,514,238	315,777	2,871,300	37,049	293,207,063
<b>Financial liabilities</b>						
Customer deposits	205,355,941	48,048,945	282,767	277,472	-	253,965,125
Deposits from banks	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	-
Claims payable	-	-	-	-	-	-
Borrowings	3,572,950	-	-	-	-	3,572,950
Other liabilities	32,718,147	5,763,434	22,900	2,547,312	2,154	41,053,946
	241,647,038	53,812,379	305,667	2,824,784	2,154	298,592,021

The Bank and Group's exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar and the Nigerian Naira affects reported earnings through revaluation gain or loss and balance sheet size through increase or decrease in the revalued amounts of assets and liabilities denominated in US Dollars.

FX sensitivity analysis

The Group believes that for each foreign currency net exposure it is reasonable to assume a 1% sensitivity against the Group's functional currency. If all other variables are held constant, the tables below present the impacts on the Group profit or loss if these currency movements had occurred.

	US Dollar N'000	GBP N'000	EUR N'000
<b>As at 31 December 2012</b>			
Net foreign currency exposures	(14,953,616.40)	(18,690.55)	(351,158.84)
Impact of 1% increase in FC:	(957.46)	(0.74)	(17.01)
Impact of 1% decrease in FC:	957.46	0.74	17.01
<b>As at 31 December 2011</b>			
Net foreign currency exposures	(31,298,141.32)	10,108.84	46,516.02
Impact of 1% increase in FC:	(1,919.07)	0.40	2.25
Impact of 1% decrease in FC:	1,919.07	(0.40)	(2.25)

The group is exposed to the US dollar, GBP and EURO currencies.

The following table details the Group's sensitivity to a 1% increase and decrease in Naira against the US dollar, GBP and EURO. The Group believes that a 1% movement in either direction is plausible at the balance sheet date. The sensitivity analyses below include outstanding US dollar, GBP and EURO denominated assets and liabilities, after taking into account hedging with swaps. A positive number indicates an increase in profit where Naira strengthens by 1% against the US dollar, GBP and EURO. For a 1% weakening of Naira against the US dollar, GBP and EURO, there would be an equal and opposite impact on profit, and the balance below would be negative.

	31 Dec 2012	31 Dec 2011
Naira strengthens by 1% against the US dollar Profit/(loss)	(957.46)	(1,919.07)
Naira weakens by 1% against the US dollar Profit/(loss)	957.46	1,919.07
Naira strengthens by 1% against the GBP Profit/(loss)	(0.74)	0.40
Naira weakens by 1% against the GBP Profit/(loss)	0.74	(0.40)
Naira strengthens by 1% against the EURO Profit/(loss)	(17.01)	2.25
Naira weakens by 1% against the EURO Profit/(loss)	17.01	(2.25)

3.4.4 Interest rate risk

Interest rate risk is the risk of loss in income or portfolio value as a result of changes in market interest rates. The Group is exposed to interest rate risk in its fixed income securities portfolio, as well as on the interest sensitive assets and liabilities in the course of banking and or trading. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by Risk Management and breaches reported to ALCO.

The table below summarises the Group's interest rate gap position

	Carrying amount	Variable interest	Fixed interest	Non interest-bearing
<b>GROUP '31 December 2012</b>				
<b>Financial assets</b>				
Cash and balances with Central Bank of Nigeria	46,135,940	-	-	46,135,940
Due from other banks	76,647,493	-	76,647,493	-
Loans and advances	87,628,318	-	87,628,318	-
Investment securities	105,253,525	-	105,253,525	-
Assets pledged as collateral	5,834,361	-	5,834,361	-
Financial assets held for trading	27,630,786	-	27,630,786	-
Other assets	4,096,871	-	-	4,096,871
	<b>353,227,294</b>	<b>-</b>	<b>302,994,483</b>	<b>50,232,811</b>
<b>Financial liabilities</b>				
Customer deposits	297,538,894	-	297,538,894	-
Deposits from banks	12,052,564	-	12,052,564	-
Liability on investment contracts	375,604	-	-	375,604
Borrowings	11,273,245	-	11,273,245	-
Other liabilities	36,530,775	-	-	36,530,775
	<b>357,771,083</b>	<b>-</b>	<b>320,864,703</b>	<b>36,906,380</b>
	Carrying amount	Variable interest	Fixed interest	Non interest-bearing
<b>GROUP '31 December 2011</b>				
<b>Financial assets</b>				
Cash and balances with Central Bank of Nigeria	38,289,755	-	-	38,289,755
Due from other banks	53,473,903	-	53,473,903	-
Loans and advances	66,542,411	-	66,542,411	-
Investment securities	124,495,193	-	124,495,193	-
Financial assets held for trading	33,872,588	-	33,872,588	-
Assets pledged as collateral	6,629,968	-	-	-
Other assets	834,132	-	-	834,132
	<b>324,137,949</b>	<b>-</b>	<b>278,384,094</b>	<b>39,123,887</b>
<b>Financial liabilities</b>				
Customer deposits	282,749,006	-	282,749,006	-
Deposits from banks	604,806	-	604,806	-
Liability on investment contracts	1,098,979	-	-	1,098,979
Borrowings	11,864,004	-	11,864,004	-
Other liabilities	43,348,633	-	-	43,348,633
	<b>339,665,428</b>	<b>-</b>	<b>295,217,816</b>	<b>44,447,612</b>

The table below summarises the Bank's interest rate gap position

	Carrying amount	Variable interest	Fixed interest	Non interest-bearing
<b>BANK '31 December 2012</b>				
<b>Financial assets</b>				
Cash and balances with Central Bank of Nigeria	38,417,259	-	-	38,417,259
Due from other banks	69,220,117	-	69,220,117	-
Loans and advances	67,113,908	-	67,113,908	-
Investment securities	101,217,945	-	101,217,945	-
Financial assets held for trading	24,046,310	-	24,046,310	-
Assets held as collateral	5,834,361	-	5,834,361	-
Other assets	1,629,945	-	-	1,629,945
	<b>307,479,845</b>	<b>-</b>	<b>267,432,641</b>	<b>40,047,204</b>
<b>Financial liabilities</b>				
Customer deposits	267,122,765	-	267,122,765	-
Deposits from banks	10,148,050	-	10,148,050	-
Borrowings	2,177,260	-	2,177,260	-
Other liabilities	34,225,879	-	-	34,225,879
	<b>313,673,954</b>	<b>-</b>	<b>279,448,075</b>	<b>34,225,879</b>
	Carrying amount	Variable interest	Fixed interest	Non interest-bearing
<b>BANK '31 December 2011</b>				
<b>Financial assets</b>				
Cash and balances with Central Bank of Nigeria	32,321,915	-	-	32,321,915
Due from other banks	45,094,988	-	45,094,988	-
Loans and advances	47,701,434	-	47,701,434	-
Investment securities	124,343,216	-	124,343,216	-
Financial assets held for trading	28,550,028	-	28,550,028	-
Assets pledged as collateral	6,629,968	-	6,629,968	-
Other assets	-	-	-	-
	<b>284,641,550</b>	<b>-</b>	<b>252,319,635</b>	<b>32,321,915</b>
<b>Financial liabilities</b>				
Customer deposits	253,965,125	-	253,965,125	-
Borrowings	3,572,950	-	3,572,950	-
Other liabilities	41,053,946	-	-	41,053,946
	<b>298,592,021</b>	<b>-</b>	<b>257,538,075</b>	<b>41,053,946</b>



#### 3.4.5 Equity risk

The Group is exposed to equity price risk by holding investments quoted on the Nigerian Stock Exchange (NSE) and other non-quoted investments. Equity securities quoted on the NSE is exposed to movement based on the general movement of the all share index and movement in prices of specific securities held by the Group.

As at 31 December 2012, the market value of quoted securities held by the Group is N1.12 billion (2011: N543.58 million) all of which are held as Available for Sale (AFS). The market value of quoted securities held by the Bank is N591.19 million (2011: N517.4 million) all of which are held as Available for Sale (AFS).

The Group holds a number of investments in unquoted securities with a market value of N7.2 billion (2011: N5.77 billion) all of which are held as Available for Sale (AFS). The Bank holds a number of investments in unquoted securities with a market value of N5.9 billion (2011: N5.77 billion) all of which are held as Available for Sale (AFS)

#### 3.5 Insurance risk

Insurance risk is the risk that future risk claims and expenses will exceed the value placed on insurance liabilities. It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. The timing is specifically influenced by longevity, persistency and expenses about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cash flows differing from projections. As such, each assumption represents a source of uncertainty. The objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group's risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The Group also employs careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements to improve variability of risks.

##### 3.5.1 Insurance products

The Group currently issues Non-life insurance products such as Motor, Accident, Property, Marine, Engineering, Bonds and other related General Insurance products.

Underwriting on non-life insurance products takes the form of the insurance applicant completing a proposal form. The following risk factors are used in the risk classification:

- Age and gender of the insured driver or operator;
- Value of the item(s) to be covered;
- Use of the item(s) to be insured, for example, premium rates distinguish business and personal use for vehicle cover;
- Physical condition of the item(s) to be insured;
- Safety and security features installed; and
- Past claims experience, for example, the premium rate payable on vehicle cover reflects the past claims experience on the vehicle and driver to be insured.

Where the value of the item(s) to be insured exceeds a pre-specified limit, the underwriting becomes more stringent. This is particularly the case for marine and aviation cover. In this case the Group makes use of specialist underwriting agents to assess the risks and set an appropriate premium for cover.

The main insurance risk on the Group's products relates to the possibility that rates of accidents may be higher than expected. This may be due to:

- Normal statistical variation due to the random nature of the insured events;
- Natural catastrophes such as floods, and unnatural catastrophes such as acts of terrorism;
- Concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area.

The Group employs some underwriting controls to ensure that only acceptable risks are accepted.

##### 3.5.2 Claims experience risk

The claims experience risk for these non-life insurance policies is that the number of claims and/or the monetary claim amounts are worse than that assumed in the pricing basis. The Group manages this risk by charging premiums which are appropriate to the risks under the insurance contracts. The Group also holds a concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area. This risk is reduced by diversification over a large number of uncorrelated risks, as well as taking out catastrophe reinsurance. The Group also has a claims assessment process to ensure that only valid claims are paid.

##### 3.5.3 Persistency risk

Persistency risk relates to the risk that policyholders may terminate their contracts prior to the contractual maturity date of the contract. Expenses such as commission and acquisition expenses are largely incurred at the outset of the contract. These upfront costs are expected to be recouped over the term of a contract from fees and charges from the contract. Therefore, if the contract is terminated before the contractual date, expenses might not have been fully recovered, resulting in losses being incurred.

##### 3.5.4 Expense risk

There is a risk that the Group may experience a loss due to actual expenses being higher than those assumed when pricing and valuing policies. This may be due to inefficiencies, higher than expected inflation, lower than expected volumes of new business or higher than expected terminations resulting in smaller in-force policies.

To manage this risk, the Group performs expense investigations annually and sets pricing and valuation assumptions to be in-line with the actual expenses experience, with allowance for inflation.

The Group's exposure to unexpected increases in the inflation rate is expected to be minimal due to the short-term nature of their business and their ability to review premium rates at renewals (typically on an annual basis).

##### 3.5.5 Business volume risk

There is a risk the Group may not sell sufficient volumes of new business to meet the expenses associated with distribution and administration. A significant portion of the new business acquisition costs are variable and relate directly to sales volumes.

##### 3.5.6 Capital adequacy risk

There is a risk that the capital held by the Group to back its insurance liabilities may prove to be inadequate on a regulatory solvency basis. This may then lead to intervention by the Regulator and may further lead to a fall in the reputation of the Group. At an extreme, the Regulator may require the Group to restrict its business activities and temporarily desist from taking on new businesses. This will have a further negative impact on the Group.

This risk is monitored and assessed by calculating the outstanding claims reported (OCR) and Incurred But Not Reported (IBNR) contingency reserves, monitoring any regulatory rules applying to the assets and the adequacy of the assets to back the liabilities and adopting an investment strategy which is aimed at investing in admissible assets and maintaining adequate capital.

In addition, sensitivity and scenario analysis are performed to assess the Group capital adequacy under various scenarios and to ensure that the Group will remain financially sound under some stress economic conditions.

##### 3.5.7 Assumption risk

In determining the value of insurance liabilities, assumptions need to be made regarding future rates of termination rates, expenses and investment performance. The uncertainty of these rates may result in actual experience being different from that assumed and hence actual cash flows being different from those projected, and, in the extreme, that the actual claims and benefits exceed the liabilities. The risk is mitigated to an extent through:

- The addition of margins, specifically where there is evidence of moderate or extreme variation in experience;
- The use of appropriate sources of data; and
- Regular actual versus expected investigations.

Due to the short-term nature of the Group's business, exposure to unexpected changes in trends in experience is minimal since premium rates are reviewable at renewal.



### 3.5.8 **Data risk**

Data risk is the risk that data used in the policyholders' liabilities valuation calculations are inaccurate or incomplete and, therefore, are not a true and accurate view of the insurance contracts held by the Group. The data could be inaccurate or incomplete due to incorrect data or valuation extracts between the policy administration system and the actuarial valuation model and/or incorrect capturing of data on the policy administration system.

This risk is managed by the Group through regular data integrity testing in order to assess the appropriateness, accuracy and credibility of the various data sets as well as investigations into data exceptions reported.

### 3.5.9 **Model risk**

There is a risk that the Group may suffer a loss if the model used to calculate the insurance liabilities does not project expected cash flows under the insurance contracts accurately. The expected cash flow projections may be inaccurate either due to the model itself being incorrect, inappropriate to the policies being valued or inaccurate and/or the underlying assumptions used in the model being inappropriate. Model risk is addressed by:

- Regular actual versus expected cash flow investigations to assess the appropriateness of the external models; and
- Detailed investigations are performed annually to ensure the integrity of the data used in the valuation process.

### 3.5.10 **Insurance premium rating**

The Group employs the following additional controls and measures to ensure that only acceptable risks are accepted and risks are appropriately priced:

- Underwriting controls, with risk classification based on the above risk factors;
- Regular review of premium rates; and
- Appropriate policy conditions, including any exclusion on the cover on the individual's life.

Premium rates are guaranteed for the period up to the renewal of a policy, typically, after 1 year.

For large schemes, a scheme's past experience is a crucial input in setting rates for the scheme. The larger the scheme the more weight is given to the scheme's past experience. Rates are guaranteed for one year and reviewable at the renewal of the policy.

### 3.5.11 **Insurance risk management**

The Group accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Group is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Group manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Group from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis. Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which the Group is exposed.

### 3.5.12 **Non-life insurance**

The Group writes property, liability and motor risks primarily over twelve month duration. The most significant risks arise from natural disasters, climate change and other catastrophes (i.e. high severity, low frequency events). A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

### 3.5.13 **Assumptions and sensitivities**

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Group uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

A sensitivity analysis was performed with the help of an actuary - Messrs Alexander Forbes to determine how the Incurred but not Reported (IBNR) reserve amount would change if management were to consider the 75th percentile as opposed to the best estimate figures included in reserve as at 31 December 2012 and the comparative year ends i.e. 31 December 2010 and 2011. The 75th percentile is a generally accepted level of prudence.

A normal distribution was used as a proxy for the distribution of the IBNR claims reserve with a mean equal to the best estimate reserve calculated for each class of business. In order to determine the standard deviation of the distributions we equated the 0.5th percentile of the distributions to be equal to 0 thereby assuming that the IBNR reserve % cannot be negative. Through the use of the mean and the 0.5th percentile we were able to calculate the implied standard deviations for each class.

The Group considers that the liability for non-life insurance claims recognized in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

### 3.5.14 **Concentration**

Insurance contract in relation to concentration by geographical location has been 100% within Nigeria and 0% outside Nigeria, while the Group insurance contract by product is by Liability 61%, Motor 32% and property insurance 6%. The liabilities maturity profile tilted largely (90%) towards 1-5 years and liabilities within 1 year is less than 10% of the Group's liabilities on insurance contract. Risk associated with this is being managed with the Group access to financing facilities, the Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

### 3.5.15 **Insurance claims and benefits**

Non-life insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

### 3.5.16 **Insurance claims and benefits**

The Group recognizes reinsurance claims when the related gross insurance claims are recognized according to the terms of the relevant contracts.

### 3.6 Financial assets and liabilities

#### Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Group's financial assets and liabilities:

December 2012							
In thousands of Naira	Note	Trading	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	43	-	97,269,962	-	-	97,269,962	97,269,962
Pledged trading assets	19	5,834,361	-	-	-	5,834,361	5,834,361
Non-pledged trading assets	18	27,630,786	-	-	-	27,630,786	27,630,786
Loans and advances to customers							
- Measured at fair value		-	-	-	-	-	-
- Measured at amortised cost	20	-	87,628,318	-	-	87,628,318	87,929,518
Investment securities							
- Measured at fair value	22	-	-	31,772,892	-	31,772,892	31,772,892
- Measured at amortised cost	22	-	73,480,633	-	-	73,480,633	73,480,633
Insurance receivables	21	-	124,004	-	-	124,004	124,004
Other assets	25	-	4,096,871	-	-	4,096,871	4,096,871
		<b>33,465,147</b>	<b>262,599,788</b>	<b>31,772,892</b>	<b>-</b>	<b>327,837,826</b>	<b>328,139,026</b>
Deposits from banks	31	-	-	-	12,052,564	12,052,564	12,052,564
Deposits from customers	32	-	-	-	297,538,894	297,538,894	297,538,894
Borrowings	33	-	-	-	11,273,245	11,273,245	11,273,245
Other liabilities	34	-	-	-	36,530,775	36,530,775	36,530,775
Liability on investment contracts	35	-	-	-	375,604	375,604	375,604
Liability on insurance contracts	36	-	-	-	1,177,450	1,177,450	1,177,450
		<b>-</b>	<b>-</b>	<b>-</b>	<b>358,948,533</b>	<b>358,948,533</b>	<b>358,948,533</b>
December 2011							
In thousands of Naira	Note	Trading	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	43	-	73,734,989	-	-	73,734,989	73,734,989
Pledged trading assets	19	6,629,968	-	-	-	6,629,968	6,629,968
Non-pledged trading assets	18	33,872,588	-	-	-	33,872,588	33,872,588
Loans and advances to customers							
- Measured at fair value		-	-	-	-	-	-
- Measured at amortised cost	20	-	66,542,411	-	-	66,542,411	62,719,214
Investment securities							
- Measured at fair value	22	-	-	58,680,278	-	58,680,278	58,680,278
- Measured at amortised cost	22	-	65,814,915	-	-	65,814,915	65,814,915
Insurance receivables	21	-	997,309	-	-	997,309	997,309
Other assets	25	-	834,132	-	-	834,132	834,132
		<b>40,502,556</b>	<b>207,923,756</b>	<b>58,680,278</b>	<b>-</b>	<b>307,106,589</b>	<b>303,283,392</b>
Deposits from banks	31	-	-	-	604,806	604,806	604,806
Deposits from customers	32	-	-	-	282,749,006	282,749,006	282,749,006
Borrowings	33	-	-	-	11,864,004	11,864,004	11,864,004
Other liabilities	34	-	-	-	43,477,704	43,477,704	43,477,704
Liability on investment contracts	35	-	-	-	473,048	473,048	473,048
Liability on insurance contracts	36	-	-	-	1,098,979	1,098,979	1,098,979
		<b>-</b>	<b>-</b>	<b>-</b>	<b>340,267,547</b>	<b>340,267,548</b>	<b>340,267,548</b>

This table includes N81.9billion (2011: N86.5billion) worth of AMCON bonds, state government bonds, corporate bonds and unquoted equity securities in both the carrying amount and fair value columns for investment securities and non pledged trading assets that are measured at cost and for which disclosure of fair value is not provided because their fair value cannot be reliably measured. There is no active market for these investments.

### 3.7 Financial assets and liabilities

#### Accounting classification and fair values

The table below sets out the carrying amounts and fair values of the Bank's financial assets and liabilities:

December 2012							
In thousands of Naira	Note	Trading	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	43	-	83,612,658	-	-	83,612,658	83,612,658
Pledged trading assets	19	5,834,361	-	-	-	5,834,361	5,834,361
Non-pledged trading assets	18	24,046,310	-	-	-	24,046,310	24,046,310
Loans and advances to banks		-	-	-	-	-	-
Loans and advances to customers		-	-	-	-	-	-
- Measured at fair value		-	-	-	-	-	-
- Measured at amortised cost	20	-	67,113,908	-	-	67,113,908	67,415,108
Investment securities		-	-	-	-	-	-
- Measured at fair value	22	-	-	27,737,311	-	27,737,311	27,737,311
- Measured at amortised cost	22	-	73,480,633	-	-	73,480,633	73,480,633
Other assets	25	-	1,629,945	-	-	1,629,945	1,629,945
		<b>29,880,671</b>	<b>225,837,145</b>	<b>27,737,311</b>	<b>-</b>	<b>283,455,127</b>	<b>283,756,327</b>
Deposits from banks	31	-	-	-	10,148,050	10,148,050	10,148,050
Deposits from customers	32	-	-	-	267,122,764	267,122,764	267,122,764
Borrowings	33	-	-	-	2,177,259	2,177,259	2,177,259
Other liabilities	34	-	-	-	34,225,881	34,225,881	34,225,881
		<b>-</b>	<b>-</b>	<b>-</b>	<b>313,673,954</b>	<b>313,673,954</b>	<b>313,673,954</b>

December 2011							
In thousands of Naira	Note	Trading	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	43	-	62,766,696	-	-	62,766,696	62,766,696
Pledged trading assets	19	6,629,968	-	-	-	6,629,968	6,629,968
Non-pledged trading assets	18	28,550,028	-	-	-	28,550,028	28,550,028
Loans and advances to banks		-	-	-	-	-	-
Loans and advances to customers		-	-	-	-	-	-
- Measured at fair value		-	-	-	-	-	-
- Measured at amortised cost	20	-	47,701,434	-	-	47,701,434	48,650,006
Investment securities		-	-	-	-	-	-
- Measured at fair value	22	-	-	58,528,301	-	58,528,301	58,528,301
- Measured at amortised cost	22	-	65,814,915	-	-	65,814,915	65,814,915
Other assets	25	-	1,629,945	-	-	1,629,945	1,629,945
		<b>35,179,996</b>	<b>177,912,990</b>	<b>58,528,301</b>	<b>-</b>	<b>271,621,288</b>	<b>272,569,860</b>
Deposits from banks	31	-	-	-	-	-	-
Deposits from customers	32	-	-	-	253,965,125	253,965,125	253,965,125
Borrowings	33	-	-	-	3,572,950	3,572,950	3,572,950
Other liabilities	34	-	-	-	41,053,945	41,053,945	41,053,945
		<b>-</b>	<b>-</b>	<b>-</b>	<b>298,592,020</b>	<b>298,592,020</b>	<b>298,592,020</b>

This table includes N77.4billion (2011: N81.8billion) worth of AMCON bonds, state government bonds, corporate bonds and unquoted equity securities in both the carrying amount and fair value columns for investment securities and non pledged trading assets that are measured at cost and for which disclosure of fair value is not provided because their fair value cannot be reliably measured. There is no active market for these investments.



(b) Fair valuation methods and assumptions

(i) Cash and balances with central banks

Cash and balances with central bank represent cash held with central banks of the various jurisdictions in which the Group operates. The fair value of these balances is their carrying amounts.

(ii) Due from other banks

Loans and advances to banks represents balances with local and correspondence banks, inter-bank placements and items in the course of collection. The carrying amount is a reasonable approximation of fair value because they are short term in nature.

(iii) Loans and advances to customers

Loans and advances are carried at amortised cost net of provision for impairment. The fair value of loans and advances represent an estimation of the value of the loans using average benchmarked lending rates which were adjusted to specific entity risks based on history of losses. The rates used were obtained from the industry rates published by the Central Bank of Nigeria.

(iii) Investment securities (including pledged assets)

The fair value of investment securities (including pledged assets) is based on market prices, or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(iv) Deposits from banks and due to customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair values of fixed interest-bearing deposits and borrowings are determined using a discounted cash flow model.

(v) Other assets, liabilities and borrowings

Other assets represent monetary assets which usually has a short recycle period and as such the fair values of these balances approximate their carrying amount. Amount outstanding as other liabilities and borrowings are assumed to approximate their respective fair values.

(c) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices (Unadjusted) in active market for identical asset or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes FGN bonds whose market prices were derived based on the linear interpolation of prices of bonds based on a yield curve appropriate for the maturities of the bonds. It also includes investment in MTN linked notes whose prices are determined by the fund manager and are derived from the market price of the parent company, MTN South Africa.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level also includes FGN Bonds and unquoted equity investment securities that are measured at cost and for which disclosure of fair value is not provided because their fair value cannot be reliably measured. There is no active market for these investments.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The following table presents the group's assets and liabilities that are measured at fair value at reporting date.

GROUP

31 December 2012

	Level 1 N '000	Level 2 N '000	Level 3 N '000	Total N '000
<b>Financial assets</b>				
<b>Financial assets held for trading</b>				
Pledged assets	5,834,361	-	-	5,834,361
Non pledged trading assets	21,127,043	-	6,503,743	27,630,786
<b>Available-for-sale financial assets</b>				
Investment securities - listed debt	23,362,134	91,751	-	23,453,885
Investment securities - unlisted debt	-	-	-	-
Investment securities - unlisted equity	-	5,339,696	1,858,890	7,198,586
Investment securities - listed equity	1,120,421	-	-	1,120,421
	<b>51,443,959</b>	<b>5,431,447</b>	<b>8,362,633</b>	<b>65,238,039</b>

GROUP

31 December 2011

	Level 1 N '000	Level 2 N '000	Level 3 N '000	Total N '000
<b>Financial assets</b>				
<b>Financial assets held for trading</b>				
Pledged Assets	6,629,968	-	-	6,629,968
Non Pledged Trading Assets	28,334,869	879,869	4,657,850	33,872,588
<b>Available-for-sale financial assets</b>				
Investment securities - listed debt	36,782,790	79,355	15,502,713	52,364,858
Investment securities - unlisted debt	-	-	-	-
Investment securities - unlisted equity	-	5,211,627	560,218	5,771,845
Investment securities - listed equity	543,575	-	-	543,575
	<b>72,291,202</b>	<b>6,170,851</b>	<b>20,720,781</b>	<b>99,182,834</b>

BANK

31 December 2012

	Level 1 N '000	Level 2 N '000	Level 3 N '000	Total N '000
<b>Financial assets</b>				
<b>Financial assets held for trading</b>				
Pledged Assets	5,834,361	-	-	5,834,361
Non Pledged Trading Assets	20,665,796	-	3,380,514	24,046,310
<b>Available-for-sale financial assets</b>				
Investment securities - listed debt	21,154,458	91,751	-	21,246,209
Investment securities - unlisted debt	-	-	-	-
Investment securities - unlisted equity	-	5,339,696	560,218	5,899,914
Investment securities - listed equity	591,188	-	-	591,188
	<b>48,245,803</b>	<b>5,431,447</b>	<b>3,940,732</b>	<b>57,617,982</b>

**BANK**

31 December 2011

	Level 1 N '000	Level 2 N '000	Level 3 N '000	Total N '000
<b>Financial assets</b>				
<b>Financial assets held for trading</b>				
Pledged Assets	6,629,968	-	-	6,629,968
Non Pledged Trading Assets	27,670,159	879,869	-	28,550,028
<b>Available-for-sale financial assets</b>				
Investment securities - listed debt	36,656,991	79,355	15,502,713	52,239,059
Investment securities - unlisted equity	-	5,211,627	560,217	5,771,844
Investment securities - listed equity	517,398	-	-	517,398
	<u>71,474,516</u>	<u>6,170,851</u>	<u>16,062,930</u>	<u>93,708,297</u>

3.8 **Capital management**

The Group's capital management approach is driven by its strategy and organisational requirements, taking into account the regulatory and commercial environment in which it operates. It is the Group's policy to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

Through its corporate governance processes, the Group maintains discipline over its investment decisions and where it allocates its capital, seeking to ensure that returns on investment are appropriate after taking account of capital costs.

The Group's strategy is to allocate capital to businesses based on their economic profit generation and, within this process, regulatory and economic capital requirements and the cost of capital are key factors.

The Group's capital is divided into two tiers:

- Tier 1 capital: core equity tier one capital including ordinary shares, statutory reserve, share premium and general reserve. non-controlling interests arising on consolidation from interests in permanent shareholders' equity. The book value of goodwill, intangible assets, unpublished losses and under provisions are deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, preference shares, collective impairment allowances, debenture stock, non controlling interest and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

The Central Bank of Nigeria prescribed a minimum limit of 10% of total qualifying capital/total risk weighted assets as a measure of capital adequacy of banks in Nigeria. Total qualifying capital consists of tier 1 and 2 capital less investments in unconsolidated subsidiaries and associates. The total risk weighted assets reflects only credit and counterparty risk.

The Bank achieved a capital adequacy ratio of 15.73% at the end of the year, compared to 14.63% recorded for the period ended December 2011. This is attributable to the growth in risk weighted assets during the year. The Bank, as a policy, works to maintain adequate capital cover for its trading activities, with a minimum internal target of 16%. Current position is closely monitored and reported fortnightly to the Assets and Liabilities Management Committee.

The table below summarises the composition of regulatory capital and the ratios of the Bank only for the years presented below. During these two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	Group 31 Dec 2012 N '000	Group 31 Dec 2011 N '000	Bank 31 Dec 2012 N '000	Bank 31 Dec 2011 N '000
<b>Tier 1 capital</b>				
Share capital	6,250,000	6,250,000	6,250,000	6,250,000
Share premium	290,648,344	290,648,344	290,648,344	290,648,344
Regulatory risk reserve	977,801	-	877,519	65,080
Other reserves	(254,833,371)	(254,833,371)	(254,833,371)	(254,833,371)
Contingency reserve	558,033	503,886	-	-
Non distributable reserves	(618,422)	(618,422)	(618,422)	(618,422)
Fair value reserve	(810,279)	(5,848,840)	(729,520)	(5,848,840)
Translation reserve	449,075	103,435	-	-
Minority interest	310,229	529,960	-	-
Retained earnings	(13,856,177)	(14,635,523)	(5,973,723)	(6,075,994)
<b>Total qualifying for tier 1 capital</b>	<u>29,075,233</u>	<u>22,099,469</u>	<u>35,620,827</u>	<u>29,586,797</u>
<b>Tier 2 capital</b>				
Intangible assets	(524,645)	(987,954)	(507,114)	(929,226)
Deferred tax assets	(222,192)	(107,130)	-	-
Investments in subsidiaries	-	-	(10,657,083)	(10,657,083)
Collective impairment	2,596,543	1,845,240	2,201,199	1,563,685
<b>Total qualifying for tier 2 capital</b>	<u>1,849,706</u>	<u>750,157</u>	<u>(8,962,998)</u>	<u>(10,022,623)</u>
<b>Total regulatory capital</b>	<u>30,924,939</u>	<u>22,849,626</u>	<u>26,657,828</u>	<u>19,564,174</u>
<b>Risk-weighted assets</b>				
On balance sheet	147,282,152	119,711,591	119,458,257	94,834,245
Off balance sheet	55,659,454	49,207,438	49,961,997	38,848,598
<b>Total risk-weighted assets</b>	<u>202,941,606</u>	<u>168,919,029</u>	<u>169,420,254</u>	<u>133,682,843</u>
<b>Risk-weighted Capital Adequacy Ratio (CAR)</b>	<u>15.24%</u>	<u>13.53%</u>	<u>15.73%</u>	<u>14.63%</u>
<b>Operational risk</b>				

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The common sources of operational risk in the Bank include: internal and external frauds, breaches of internal controls, technology failures, damage to physical assets, unforeseen catastrophic events and other operational events that may result in losses. The Bank recognizes operational risk as a distinct risk and has established an independent function to manage through policies which set out standards and objectives the major risk and control processes.

The Bank's operational risk management philosophy is aimed at achieving transparency in risk management and the entrenchment of a sound risk culture by consciously embedding sound risk principles in all risk producing areas of the business. While Operational risk in the Bank is managed through a centralized and independent Operational Risk Management function, ownership and accountability is developed to business units and process owners.





The ultimate responsibility for operational risk management in Keystone Bank rests with the Board of Directors with support from the Board Risk Management Committee and the Management Risk and Compliance Committee (MRCC) through the Chief Risk Officer.

The Bank's Internal Audit Group, External Auditors and the regulators (Central Bank of Nigeria & Nigerian Deposit Insurance Corporation) provide independent assessment and evaluation of the implementation of the operational risk management framework in the Bank.

### Strategy risk

Strategic risk is the risk of current or prospective loss of earnings, capital, reputation or standing arising from changes in the environment where the Bank operates and from adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to industry, economic or technological changes.

Strategic Risk is a function of the compatibility of the Bank's strategic goals, the strategies developed to achieve those goals, the resources deployed to meet those goals, and the quality of implementation.

Keystone Bank recognizes strategic risk as a major risk and has established a structure that ensures strategic risks are proactively identified, understood and managed within the Banks' appetite. Consequently, the Bank's strategic risk management process is anchored on the following principles:

- Ensuring that strategic decisions made by the Bank are compatible with its risk tolerance level and do not deviate from the Bank's core business activities. Strategic decisions made by the Bank are based on informed and adequate evaluation of the strategies adopted.
- Strategic decisions made by the Bank are prudent and not overly aggressive relative to the current size of its business.
- Environmental changes and proper risk assessment are considered in the design of new strategies, entries into new markets and adoption of new products and major processes.
- Provision of an appropriate structure and environment for monitoring the effectiveness of the implementation of agreed strategies.
- Return-to-Business Strategy – execute agreed-upon Corporate, Strategic Business Units (SBUs) & Divisional strategies; Monitor segmentation driven business model with clear focus and accountability

The ultimate responsibility for strategic risk management in Keystone Bank rests with the Board of Directors. The Board is supported in this role by the Board Risk Management Committee. At the Management level, Strategic Risk Management function is overseen by the Executive committee. The committee is supported by the Head of Strategy and Business transformation and the Chief Risk officer in carrying out the strategic risk management oversight function in the Bank.

The Bank's Corporate Audit group provides an independent assessment and evaluation of the implementation of the strategic risk management framework in the Bank.

### Compliance risk

Compliance risk is the risk of loss of current and prospective earnings or capital arising from violations of, or non conformance with laws, rules and regulations, prescribed practices, or ethical standards. Compliance risk losses comes in form of fines, civil money penalties, payment of damages, voiding of contracts, reduced franchise value, limited business opportunities, reduced expansion potential sometimes leading to diminished reputation.

Responsibility for regulatory compliance lies with all staff of the Bank as it relates to their activities; While the Board of Directors retains the ultimate responsibility for overall compliance. The Chief Compliance Officer of the Bank oversees the Compliance function and ensures that all regulatory and supervisory requirements are adhered to.

The Management Risk & Compliance Committee (MRCC) provides management oversight for the compliance function. The main objectives of the Committee are :

- To focus on the consistent, preemptive and balanced approach to and application of controls across the Bank.
- To ensure that prompt and adequate management attention is directed at the key issues of compliance, operational and other risks.
- To review and resolve control issues tracked and reported via the control log, Risk Compliance Self Assessment (RCSA) report.

The Chief Compliance Officer (CCO) reports functionally to the Board on all compliance issues and administratively to the MD/CEO.

The function covers the following areas:

- Regulatory Compliance: Interface with key regulatory agencies, Monitoring and implementing regulatory changes, Investigating breaches of compliance policy, monitoring staff code of ethics (conflict of interest, employee trading, chinese wall, gift policy etc)
- Anti-Money Laundering (AML) due diligence: including Countering Terrorist Financing (CTF), KYC, Customer Risk Rating for Politically and Financially Exposed Persons' Public Sector and other classified high risk accounts.
- Compliance Monitoring: risk based transaction monitoring, and investigation, periodic review of compliance controls
- Compliance Planning: Risk awareness training, updates on compliance policies and new laws and regulations

The Compliance unit continues to cooperate with regulatory agencies through prompt renditions of returns and response to enquiries thus protecting the Bank from any reputational risk that could arise.

### Environmental risk

The Bank's Environmental Risk Management Policy has been approved by the Board of Directors and it provides the Bank's approach to the management of environmental risk. The document restates the Bank's commitment to promoting issues that enhance environmental sustainability. It prescribes environmental standards which are adopted by the Bank and required of those with whom we do business. The Policy aligns with the environmental laws of the country and other conventions and represents a significant step towards implementing the equator principles.

### Legal risk

Legal risk in Keystone Bank is defined as the risk that may arise as a result of the loss from a contract that cannot be legally enforced or the Bank may be liable for damages to third parties. Legal risk can also arise from potential loss that may be suffered by the Bank as a result of the imposition of court judgment against the Bank.

To control and mitigate legal risk, the Bank ensures that:

- Business relationships with third parties are governed by proper contracts
- Service Level Agreements (SLAs) are executed between the Bank and service providers. Before they are signed, the SLAs are subjected to thorough review by relevant stakeholders to ensure that the Bank is adequately protected
- Outstanding legal claims against the Bank are regularly reviewed to enable management take further decisions, including creation of contingent liability where necessary and/or out of court settlement.

#### 4 Operating segments

##### (a) By business segments

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal operating structures and reporting. The following summary describes the operations in each of the Group's reportable segments:

##### Retail Banking

Retail Banking comprises private individuals, businesses and public sector clients, at the lower end of the market. It also covers small and medium enterprises (SMEs), local government agencies, and affluent customers.

##### Corporate Banking

Corporate Banking serves the middle segment of the business banking value chain, and clients comprise predominantly unrated and non-investment grade companies with a generally higher risk profile compared to institutional clients.

##### Commercial Banking

Commercial Banking serves the blue chip companies and big corporate entities. Clients comprise predominantly investment grade companies with low risk profile.

##### Public Sector

Public Sector provides the full range of integrated banking products, financing and collection services for Federal and State Governments and agencies.

##### Insurance

This represents general insurance business activities.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and other impairments when the impairment is the result of an isolated, non-recurring event.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Executive Management. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis. Funds are ordinarily allocated between segments. Interest charged for these funds is based on the Bank's cost of capital. There are no other material items of income or expense between the business segments.

##### Information about reportable segments

The segment information provided for the reportable segments for the year ended 31 December 2012 is as follows:

	Retail banking N '000	Corporate banking N '000	Commercial banking N '000	Public Sector N '000	Insurance N '000	Others (Unallocated) ** N '000	Total continuing operations N '000	Discontinued operations N '000	Total N '000
<b>At 31st December 2012</b>									
<b>External revenue:</b>									
Net interest income	(706,294)	5,735,854	(671,831)	(5,787,516)	343,109	19,118,769	18,032,090	-	18,032,090
Net fee and commission income	2,934,334	1,091,103	1,558,122	117,057	550,516	(1,323,428)	4,927,704	-	4,927,704
Net trading income	-	-	-	-	-	697,614	697,614	-	697,614
Net income from other financial instruments at fair value through	-	-	-	-	-	1,365,400	1,365,400	-	1,365,400
Other revenue	-	-	-	-	-	9,772,189	9,772,189	33,032	9,805,221
Inter-segment revenue	5,957,115	(4,009,920)	3,676,466	13,164,288	-	(18,787,949)	-	-	-
<b>Total segment revenue</b>	<b>8,185,155</b>	<b>2,817,037</b>	<b>4,562,757</b>	<b>7,493,829</b>	<b>893,625</b>	<b>10,842,594</b>	<b>34,794,997</b>	<b>33,032</b>	<b>34,828,029</b>
<b>Other material non-cash items :</b>									
Impairment losses on financial assets	238,591	(161,560)	555,503	(43,662)	486,107	3,228,758	4,303,738	-	4,303,738
Reportable segment profit before income tax	(2,496,139)	1,191,457	996,804	4,976,213	1,043,748	(2,947,956)	2,764,128	(10,343)	2,753,784
Reportable segment assets	21,376,687	44,235,732	17,317,622	2,734,538	5,215,186	297,217,906	388,097,671	135,690	388,233,361
Reportable segment liabilities	69,616,630	14,591,598	54,038,261	122,532,258	1,415,747	97,061,399	359,255,893	130,675	359,386,568

	Retail banking N '000	Corporate banking N '000	Commercial banking N '000	Public Sector N '000	Insurance N '000	Others (Unallocated) ** N '000	Total continuing operations N '000	Discontinued operations N '000	Total N '000
<b>At 31st December 2011</b>									
<b>External revenue:</b>									
Net interest income	(187,961)	1,495,458	(99,194)	(2,019,386)	124,823	10,979,443	10,293,184	-	10,293,184
Net fee and commission income	1,186,307	448,615	620,263	330,227	140,246	(564,183)	2,161,475	-	2,161,475
Net trading income	-	-	-	-	-	(2,008,592)	(2,008,592)	-	(2,008,592)
Net income from other financial instruments at fair value through	-	-	-	-	-	(1,944,708)	(1,944,708)	-	(1,944,708)
Other revenue	-	-	-	-	-	5,386,054	5,386,054	12,621	5,398,675
Inter-segment revenue	1,617,457	(930,975)	1,001,441	4,719,674	-	(6,407,597)	-	-	-
<b>Total segment revenue</b>	<b>2,615,803</b>	<b>1,013,098</b>	<b>1,522,511</b>	<b>3,030,515</b>	<b>265,069</b>	<b>5,440,417</b>	<b>13,887,413</b>	<b>12,621</b>	<b>13,900,034</b>
<b>Other material non-cash items :</b>									
Impairment losses on financial assets	35,948	5,190	379,415	(25,541)	-	(5,444,813)	(5,049,801)	-	(5,049,801)
Reportable segment loss before income tax	(1,753,119)	338,204	262,295	1,631,926	(453,076)	(7,894,152)	(7,867,922)	(11,758)	(7,879,680)
Reportable segment assets	26,195,489	35,519,093	15,868,251	3,209,470	4,689,196	275,999,004	361,480,503	-	361,480,503
Reportable segment liabilities	67,587,201	11,701,743	45,215,498	142,412,460	1,216,881	72,307,171	340,440,953	-	340,440,954

\*\* The Others (Unallocated) segment includes investment in FGN bonds, AMCON bonds and treasury bills and income thereon that are held for capital management and therefore not allocated to any segment.

Reconciliations of reportable segment revenues, profit or loss and assets and liabilities

	2012 N '000	2011 N '000
<b>Revenues</b>		
Total revenues for reportable segments	23,985,435	8,459,617
Unallocated amounts	10,842,594	5,440,417
Elimination of inter-segment revenue	-	-
Consolidated revenue	34,828,029	13,900,034
<b>Profit or loss</b>		
Total profit or loss for reportable segments	5,701,740	14,472
Unallocated amounts	(2,947,956)	(7,894,152)
Consolidated profit before income tax	2,753,784	(7,879,680)
<b>Assets</b>		
Total assets for reportable segments	91,015,455	85,481,499
Other unallocated amounts	297,217,906	275,999,004
Consolidated total assets	388,233,361	361,480,503
<b>Liabilities</b>		
Total liabilities for reportable segments	262,325,169	268,133,783
Other unallocated amounts	97,061,399	72,307,171
Consolidated total liabilities	359,386,568	340,440,953

(b) By geographical segment

The Group's business is organised along three main geographical areas:

- Nigeria
- Rest of West Africa
- East Africa

Transactions between the business segments are on normal terms and conditions.

Geographical information

	Nigeria N '000	Rest of West Africa N '000	East Africa N '000	Total continuing operations N '000	Discontinued operations N '000	Total N '000
<b>At 31st December 2012</b>						
Derived from external customers	42,460,880	1,604,424	4,925,490	48,990,794	33,032	49,023,826
Derived from other segments	-	-	-	-	-	-
Total revenues	42,460,880	1,604,424	4,925,490	48,990,794	33,032	49,023,826
Interest and similar expenses	(12,377,452)	(317,428)	(1,500,917)	(14,195,797)	-	(14,195,797)
Operating income	30,083,428	1,286,996	3,424,573	34,794,997	33,032	34,828,029
Operating expenses	(33,285,059)	(1,292,996)	(1,756,552)	(36,334,607)	(43,375)	(36,377,982)
Net impairment loss on financial assets	5,302,225	(303,429)	(695,058)	4,303,738	-	4,303,738
Profit/(loss) before taxation	2,100,594	(309,429)	972,963	2,764,128	(10,343)	2,753,785
Income tax expense	(31,057)	(200,933)	(98,752)	(330,742)	-	(330,742)
Profit/(loss) after taxation	2,069,537	(510,362)	874,211	2,433,386	(10,343)	2,423,043

Assets and liabilities

Total assets	345,612,834	12,209,200	30,275,637	388,097,671	135,690	388,233,361
Total liabilities	324,440,665	9,436,720	25,378,508	359,255,893	130,675	359,386,568
Net assets	21,172,169	2,772,480	4,897,129	28,841,778	5,015	28,846,793

	Nigeria N '000	Rest of West Africa N '000	East Africa N '000	Total continuing operations N '000	Discontinued operations N '000	Total N '000
<b>At 31st December 2011</b>						
Derived from external customers	21,126,068	846,840	1,957,221	23,930,129	12,621	23,942,750
Derived from other segments	-	-	-	-	-	-
Total revenues	21,126,068	846,840	1,957,221	23,930,129	12,621	23,942,750
Interest and similar expenses	(9,425,151)	(130,662)	(486,903)	(10,042,716)	-	(10,042,716)
Operating income	11,700,917	716,178	1,470,318	13,887,413	12,621	13,900,034
Operating expenses	(15,356,421)	(642,679)	(706,434)	(16,705,534)	(24,379)	(16,729,913)
Net impairment loss on financial assets	(4,809,371)	(334,112)	93,682	(5,049,801)	-	(5,049,801)
Profit/(loss) before taxation	(8,464,875)	(260,613)	857,566	(7,867,922)	(11,758)	(7,879,680)
Income tax expense	(17,229)	(10,947)	(139,423)	(167,599)	-	(167,599)
Profit/(loss) after taxation	(8,482,104)	(271,560)	718,143	(8,035,521)	(11,758)	(8,047,279)

Assets and liabilities

Total assets	322,816,498	11,480,151	27,183,854	361,480,503	-	361,480,503
Total liabilities	309,430,971	8,445,551	22,564,432	340,440,954	-	340,440,954
Net assets	13,385,527	3,034,600	4,619,422	21,039,549	-	21,039,549



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<b>5 Interest income</b>	<b>GROUP</b> <b>12 months to</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>5 months to</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>12 months to</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>5 months to</b> <b>31 Dec 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Placements	3,649,215	873,164	3,086,190	710,618
Treasury bills and Bonds	14,609,505	14,306,453	13,826,813	14,029,239
Loans and advances	13,963,048	5,152,988	9,934,972	3,105,568
Advances under finance lease	6,118	3,294	6,118	3,294
	<b>32,227,887</b>	<b>20,335,900</b>	<b>26,854,093</b>	<b>17,848,720</b>
<b>6 Interest expense</b>	<b>GROUP</b> <b>12 months to</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>5 months to</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>12 months to</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>5 months to</b> <b>31 Dec 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Current accounts	4,307,041	238,901	4,021,961	214,787
Savings accounts	471,369	215,905	415,421	156,483
Time deposits	7,381,258	3,408,827	6,027,142	2,933,241
Inter-bank takings	626,491	5,131,748	506,913	5,076,855
Borrowed funds	1,409,638	1,047,335	27,626	11,027
	<b>14,195,797</b>	<b>10,042,716</b>	<b>10,999,062</b>	<b>8,392,392</b>
<b>7 Impairment loss on financial assets</b>	<b>GROUP</b> <b>12 months to</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>5 months to</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>12 months to</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>5 months to</b> <b>31 Dec 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
(Increase)/decrease in specific impairment on loans (See note 20(a))	(1,320,834)	(556,473)	(392,167)	(416,240)
(Increase)/decrease in portfolio impairment on loans (See note 20(a))	(751,302)	(1,193,571)	(637,514)	(1,093,374)
Recoveries/(charge) on impairment on other assets (See note 25(a))	4,934,730	(2,197,954)	4,930,968	(2,197,954)
(Increase)/decrease in impairment on investment securities (See note 22(b))	1,129,756	(806,005)	45,000	-
(Increase)/decrease in impairment on insurance receivables (See note 21(a))	(462,062)	(935,694)	-	-
Recoveries on loans previously written off	773,450	639,897	729,481	639,897
	<b>4,303,738</b>	<b>(5,049,801)</b>	<b>4,675,768</b>	<b>(3,067,672)</b>
<b>8 Net fee and commission income</b>	<b>GROUP</b> <b>12 months to</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>5 months to</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>12 months to</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>5 months to</b> <b>31 Dec 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Commission on turnover	2,595,787	1,051,936	1,975,320	1,007,191
Commission on off-balance sheet transactions	39,988	215,017	39,988	41,146
Remittance fees	56,145	46,001	56,145	26,104
Letters of credit commissions and fees	576,992	251,834	576,992	234,418
Facility management fee	-	63,654	-	-
Fund transfer related fees	208,510	170,093	208,510	144,301
Other fees and commissions	1,450,283	362,940	964,397	474,394
	<b>4,927,704</b>	<b>2,161,475</b>	<b>3,821,352</b>	<b>1,927,553</b>
<b>9 Other income</b>	<b>GROUP</b> <b>12 months to</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>5 months to</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>12 months to</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>5 months to</b> <b>31 Dec 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Foreign exchange gain/(loss)	178,359	2,522,992	(204,477)	2,352,343
Underwriting profit	309,374	1,316,136	-	-
	<b>487,733</b>	<b>3,839,128</b>	<b>(204,477)</b>	<b>2,352,343</b>



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10 Other operating income	GROUP	GROUP	BANK	BANK
	12 months to 31 Dec 2012	5 months to 31 Dec 2011	12 months to 31 Dec 2012	5 months to 31 Dec 2011
	N'000	N'000	N'000	N'000
Dividends on available for sale equity securities	1,465,844	-	1,444,384	-
Profit/(loss) on sale of securities	697,614	(2,008,592)	697,614	(2,007,157)
Gain/(loss) on revaluation of investment property	121,254	(70,523)	-	-
Fair value change on trading securities	1,365,400	(1,944,708)	-	(1,793,339)
Rental income	295,424	29,466	-	31,109
Profit on disposal of fixed assets	23,569	2,489	20,769	2,467
Banking related service charges	932,829	292,283	898,998	277,296
Other income	1,773,790	1,293,211	838,943	1,197,348
Other accruals written back (see (a) below)	4,671,746	-	4,244,766	-
	<b>11,347,470</b>	<b>(2,406,374)</b>	<b>9,720,552</b>	<b>(2,292,276)</b>

(a) This represents current year write back of accruals and provisions for tax liabilities which are no longer required.

11 Personnel expenses	GROUP	GROUP	BANK	BANK
	12 months to 31 Dec 2012	5 months to 31 Dec 2011	12 months to 31 Dec 2012	5 months to 31 Dec 2011
	N'000	N'000	N'000	N'000
Personnel expenses	15,849,544	6,575,783	13,908,744	5,553,083
Restructuring costs (see note a below)	360,766	-	360,766	-
	<b>16,210,310</b>	<b>6,575,783</b>	<b>14,269,510</b>	<b>5,553,083</b>

(a) This represents terminal benefit payments made to employees of the Bank who took advantage of the early severance package opportunity offered by the Bank during the year.

12 Other operating expenses	GROUP	GROUP	BANK	BANK
	12 months to 31 Dec 2012	5 months to 31 Dec 2011	12 months to 31 Dec 2012	5 months to 31 Dec 2011
	N'000	N'000	N'000	N'000
Depreciation	4,072,760	1,820,423	3,762,196	1,656,595
Amortisation of intangible assets	482,761	192,375	441,150	183,151
Auditors' remuneration	120,358	62,183	95,000	50,000
Directors' emoluments	386,707	217,850	363,844	205,353
Advertising & business promotion expenses	578,199	145,678	499,305	145,678
Facilities & maintenance	2,716,866	2,802,967	2,483,958	2,802,967
Contract service cost	2,404,686	1,336,947	2,368,310	1,336,947
NDIC premium	1,576,183	829,978	1,576,183	829,978
Business travels	373,921	100,661	355,156	100,661
Banking sector resolution fund	844,620	142,419	844,620	142,419
Security expenses	1,093,890	471,622	1,093,890	471,622
Subscription/system maintenance	1,306,181	786,524	1,242,823	786,524
Other administrative expenses	4,167,165	1,220,124	3,165,554	122,213
	<b>20,124,297</b>	<b>10,129,751</b>	<b>18,291,988</b>	<b>8,834,107</b>

13 Taxation	GROUP	GROUP	BANK	BANK
	12 months to 31 Dec 2012	5 months to 31 Dec 2011	12 months to 31 Dec 2012	5 months to 31 Dec 2011
	N'000	N'000	N'000	N'000
Current taxes on income for the reporting period	217,958	189,245	-	-
Current taxes referring to previous periods	-	-	-	-
<b>Total current tax</b>	<b>217,958</b>	<b>189,245</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>				
Origination and reversal of temporary differences	112,784	(21,647)	-	-
<b>Total deferred tax</b>	<b>112,784</b>	<b>(21,647)</b>	<b>-</b>	<b>-</b>
<b>Income tax expense</b>	<b>330,742</b>	<b>167,599</b>	<b>-</b>	<b>-</b>

In line with the Companies Income Tax Act, 2007, as amended, the Bank is not liable to pay income tax as the Bank is within the first four years of commencement of business and therefore qualifies for exemption from minimum tax.

(b) Movement in tax payable	GROUP	GROUP	GROUP	BANK	BANK	BANK
	31 Dec 2012	31 Dec 2011	5 Aug 2011	31 Dec 2012	31 Dec 2011	5 Aug 2011
	N'000	N'000	N'000	N'000	N'000	N'000
At start of period	165,222	106,459	106,459	-	-	-
Tax paid	(227,122)	(130,483)	-	-	-	-
Exchange difference	(3,762)	-	-	-	-	-
Prior period over provision	-	-	-	-	-	-
Income tax charge	217,958	189,245	-	-	-	-
At end of period	<b>152,296</b>	<b>165,222</b>	<b>106,459</b>	<b>-</b>	<b>-</b>	<b>-</b>

(c) Reconciliation of effective tax rate  
DECEMBER 2012

		GROUP N'000		BANK N'000
Profit before income tax		2,764,128		1,306,728
Income tax using the domestic corporation tax rate	30%	829,238	0%	-
Non-deductible expenses	-5%	(146,533)	0%	-
Tax exempt income	-18%	(506,292)	0%	-
Income tax charge on interest on government securities	4%	117,166	0%	-
Prior year under provision	1%	37,163	0%	-
Total income tax expense	12%	330,742	0%	-
<b>DECEMBER 2011</b>				
		GROUP N'000		BANK N'000
Loss before income tax		(7,867,922)		(6,010,914)
Income tax using the domestic corporation tax rate	-3%	269,704	0%	-
Non-deductible expenses	1%	(101,044)	0%	-
Income tax charge on interest on government securities	0%	36,528	0%	-
Prior year over provision	0%	(37,589)	0%	-
	-2%	167,599	0%	-

14 Discontinued operations

At the end of the reporting year, the Group accounted for the Bank's subsidiary; PHB Capital and Trust Limited as discontinued operations as it was classified as held for sale. Management is committed to a plan to sell this subsidiary within 12 months from the reporting period. Analysis of the result of discontinued operations is as follows:

	31 Dec 2012 N'000	5 months to 31 Dec 2011 N'000
Trusteeship income	3,961	2,379
Other operating income	29,071	10,242
<b>Revenue</b>	<b>33,032</b>	<b>12,621</b>
Personnel expenses	(20,814)	(15,122)
Other operating expenses	(22,562)	(9,257)
<b>Total expenses</b>	<b>(43,375)</b>	<b>(24,379)</b>
<b>Loss before tax from discontinued operations</b>	<b>(10,343)</b>	<b>(11,758)</b>
Income tax expense	-	-
<b>Loss from discontinued operations (net of tax)</b>	<b>(10,343)</b>	<b>(11,758)</b>
<b>After tax loss attributable to:</b>		
Owners of the Bank	(10,113)	(11,497)
Non-controlling interests	(230)	(261)
	<b>(10,343)</b>	<b>(11,758)</b>
Basic loss per share (kobo)	(0.09)	(0.11)
<b>Cash flows from/(used in) discontinued operation</b>		
Net cash used in operating activities	(45,031)	(11,759)
Net cash from investing activities	12,604	50,582
Net cash from financing activities	-	-
<b>Effect on cashflows</b>	<b>(32,427)</b>	<b>38,823</b>

15 Earnings/(loss) per share

(a) Basic and diluted

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year. The diluted earnings per share is calculated using the number of shares in issue at the reporting date.

	GROUP 31 Dec 2012	GROUP 31 Dec 2011	BANK 31 Dec 2012	BANK 31 Dec 2011
Profit/(loss) attributable to equity holders of the Bank (in N'000)	2,319,865	(7,950,679)	1,306,728	(6,010,914)
Weighted average number of ordinary shares in issue (in '000s)	6,250,000	6,250,000	6,250,000	6,250,000
Basic earnings/(loss) per share (expressed in Kobo per share)	37.12	(127.21)	20.91	(96.17)
Diluted earnings/(loss) per share (expressed in Kobo per share)	37.12	(127.21)	20.91	(96.17)

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**16 Cash and balances with central banks**

	<b>GROUP</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>31 Dec 2011</b>	<b>GROUP</b> <b>5 Aug 2011</b>	<b>BANK</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>5 Aug 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Cash and bank balances	12,012,042	11,400,115	14,163,983	9,664,440	9,954,219	12,409,052
Balances with central banks other than mandatory reserve deposits	8,610,426	8,860,971	15,976,481	4,728,101	7,692,903	13,206,509
	20,622,468	20,261,086	30,140,464	14,392,541	17,647,122	25,615,561
Mandatory reserve deposits with central banks	25,513,472	18,028,668	574,948	24,024,718	14,674,793	-
	<b>46,135,940</b>	<b>38,289,755</b>	<b>30,715,411</b>	<b>38,417,259</b>	<b>32,321,915</b>	<b>25,615,561</b>

Mandatory reserve deposits with central banks represents a percentage of customers' deposits (prescribed from time to time by the central bank) which are not available for daily use. For the purposes of the Statement of cashflow, this balance is not included in cash and cash equivalents.

**17 Due from other banks**

	<b>GROUP</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>31 Dec 2011</b>	<b>GROUP</b> <b>5 Aug 2011</b>	<b>BANK</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>5 Aug 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Placements with banks and discount houses in Nigeria	44,594,395	44,068,964	6,256,519	41,844,579	36,340,935	3,098,926
Balances held with other banks outside Nigeria (see (a) below :	29,294,260	6,089,765	20,669,336	25,370,316	5,544,745	18,299,428
Placements with foreign banks	1,619,750	1,781,351	2,430,915	962,041	1,781,351	2,232,093
Items in course of collection	1,139,088	1,533,823	255,418	1,043,182	1,453,443	-
	<b>76,647,493</b>	<b>53,473,903</b>	<b>29,612,187</b>	<b>69,220,117</b>	<b>45,119,574</b>	<b>23,630,447</b>

(a) Included in balances with banks outside Nigeria is an amount of N5.27 billion (2011 : N4.54 billion) which represents the naira value of foreign currency held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in other liabilities. The amount is not available for the day to day operations of the Bank.

**18 Non pledged trading assets**

	<b>GROUP</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>31 Dec 2011</b>	<b>GROUP</b> <b>5 Aug 2011</b>	<b>BANK</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>5 Aug 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Treasury bills	11,657,538	18,429,182	9,958,657	8,073,062	13,106,622	4,798,091
Bonds	15,973,248	15,443,406	7,905,509	15,973,248	15,443,406	7,905,509
	<b>27,630,786</b>	<b>33,872,588</b>	<b>17,864,166</b>	<b>24,046,310</b>	<b>28,550,028</b>	<b>12,703,600</b>

**19 Pledged assets**

	<b>GROUP</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>31 Dec 2011</b>	<b>GROUP</b> <b>5 Aug 2011</b>	<b>BANK</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>5 Aug 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Treasury bills - HFT - At fair value	5,834,361	6,629,968	6,612,075	5,834,361	6,629,968	6,612,075
Bonds - HFT - At fair value	-	-	3,141,014	-	-	3,141,014
Bonds - AFS - At fair value	-	-	26,686,200	-	-	26,686,200
	<b>5,834,361</b>	<b>6,629,968</b>	<b>36,439,289</b>	<b>5,834,361</b>	<b>6,629,968</b>	<b>36,439,289</b>

**20 Loans and advances to customers**

	<b>GROUP</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>31 Dec 2011</b>	<b>GROUP</b> <b>5 Aug 2011</b>	<b>BANK</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>5 Aug 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Overdrafts	19,810,153	27,190,063	21,817,493	11,431,740	13,862,932	10,009,565
Term loans	69,626,612	44,257,258	42,497,956	55,802,708	37,999,863	35,035,232
Advances under finance lease	116,623	31,869	61,439	55,628	31,868	61,439
On-lending facilities	1,886,338	2,436,593	-	1,886,338	2,436,593	-
Staff loans	1,293,891	1,911,106	2,788,321	1,251,888	1,911,106	2,748,323
Gross amount	92,733,618	75,826,889	67,165,209	70,428,302	56,242,362	47,854,559
Specific impairment	(2,508,757)	(7,439,238)	(6,953,455)	(1,113,195)	(6,977,243)	(6,571,749)
Collective impairment	(2,596,543)	(1,845,240)	(651,669)	(2,201,199)	(1,563,685)	(470,311)
Total impairment	(5,105,300)	(9,284,478)	(7,605,125)	(3,314,394)	(8,540,928)	(7,042,060)
Carrying amount	<b>87,628,318</b>	<b>66,542,411</b>	<b>59,560,084</b>	<b>67,113,908</b>	<b>47,701,434</b>	<b>40,812,499</b>

**(a) Reconciliation of impairment allowance on loans and advances to**

	<b>GROUP</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>31 Dec 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
At start of period				
Specific impairment	7,439,238	6,953,455	6,977,243	6,571,749
Collective impairment	1,845,240	651,669	1,563,685	470,311
	9,284,478	7,605,125	8,540,928	7,042,060
Exchange differences	4,900	13,792	-	-
Additional provision/(write back)				
Specific impairment (See note 7)	1,320,834	556,473	392,167	416,240
Collective impairment (See note 7)	751,302	1,193,571	637,514	1,093,374
Provisions written off during the year as uncollectible	(6,256,215)	(84,483)	(6,256,215)	(10,746)
Total impairment	5,105,300	9,284,478	3,314,394	8,540,928
Specific impairment	2,508,757	7,439,238	1,113,195	6,977,243
Collective impairment	2,596,543	1,845,240	2,201,199	1,563,685
At end of period	5,105,300	9,284,478	3,314,394	8,540,928



21 Insurance receivables	GROUP	GROUP	GROUP	BANK	BANK	BANK
	31 Dec 2012	31 Dec 2011	5 Aug 2011	31 Dec 2012	31 Dec 2011	5 Aug 2011
	N'000	N'000	N'000	N'000	N'000	N'000
Due from contract holders	-	94,819	-	-	-	-
Due from agents and brokers	1,065,886	1,759,414	1,819,664	-	-	-
Due from reinsurers	-	547,020	-	-	-	-
Impairment allowance	(941,882)	(1,403,944)	(1,170,038)	-	-	-
	<b>124,004</b>	<b>997,309</b>	<b>649,626</b>	-	-	-

(a) Reconciliation of impairment allowance on insurance receivables

	GROUP	GROUP	BANK	BANK
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	N'000	N'000	N'000	N'000
At start of period	1,403,944	1,170,038	-	-
(Decrease)/increase in impairment (See note 7)	(462,062)	935,694	-	-
Write off of impairment	-	(701,788)	-	-
	<b>941,882</b>	<b>1,403,944</b>	-	-

22 Investment securities

	GROUP	GROUP	GROUP	BANK	BANK	BANK
	31 Dec 2012	31 Dec 2011	5 Aug 2011	31 Dec 2012	31 Dec 2011	5 Aug 2011
	N'000	N'000	N'000	N'000	N'000	N'000
<b>Debt securities</b>						
<u>Listed debt securities</u>						
Government bonds - At fair value through other comprehensive income	23,453,885	52,364,858	31,641,952	21,246,209	52,239,059	31,641,952
<u>Unlisted debt securities</u>						
AMCON bonds - At amortised cost	72,271,562	65,437,281	141,870,653	72,271,562	65,437,281	141,870,653
State government and corporate bonds - At amortised cost	1,209,071	377,634	38,259	1,209,071	377,634	38,259
<b>Total debt securities</b>	<b>96,934,518</b>	<b>118,179,773</b>	<b>173,550,864</b>	<b>94,726,843</b>	<b>118,053,974</b>	<b>173,550,864</b>
<b>Equity investments (see note a below)</b>						
Listed and unlisted equity investments - At fair value through Other comprehensive income	8,319,007	6,315,420	7,355,655	6,491,102	6,289,242	6,318,943
<b>Total equity investments</b>	<b>8,319,007</b>	<b>6,315,420</b>	<b>7,355,655</b>	<b>6,491,102</b>	<b>6,289,242</b>	<b>6,318,943</b>
<b>Total investments</b>	<b>105,253,525</b>	<b>124,495,193</b>	<b>180,906,519</b>	<b>101,217,945</b>	<b>124,343,216</b>	<b>179,869,807</b>

(a) Equity investments comprise:

	GROUP	GROUP	GROUP	BANK	BANK	BANK
	31 Dec 2012	31 Dec 2011	5 Aug 2011	31 Dec 2012	31 Dec 2011	5 Aug 2011
	N'000	N'000	N'000	N'000	N'000	N'000
Quoted and unquoted equity investments (See C below)	10,109,753	9,190,922	9,446,480	6,340,884	6,139,025	6,190,054
SME investments	1,055,898	1,100,898	1,079,570	1,055,898	1,100,898	1,079,570
Impairment loss	(2,846,644)	(3,976,400)	(3,170,395)	(905,681)	(950,681)	(950,681)
	<b>8,319,007</b>	<b>6,315,420</b>	<b>7,355,655</b>	<b>6,491,102</b>	<b>6,289,242</b>	<b>6,318,943</b>

Reconciliation of impairment on equity investments

	GROUP	GROUP	BANK	BANK
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	N'000	N'000	N'000	N'000
At start of period	3,976,400	3,170,395	950,681	950,681
Increase/(decrease) in impairment (See note 7)	(1,129,756)	806,005	(45,000)	-
At end of period	<b>2,846,644</b>	<b>3,976,400</b>	<b>905,681</b>	<b>950,681</b>

(c) Included in the balance above are equity investments with fair value of N529 million (2011: N610 million) that have been pledged as collateral to AMCON in respect of the overdraft facility due to AMCON. See note 33 (a).





**23 Investment in subsidiaries**

**31 December 2012, 31 December 2011 and 5 August 2011**

<b>Subsidiaries</b>	<b>% Holding</b>	<b>Cost N'000</b>	<b>Impairment N'000</b>	<b>Carrying Value N'000</b>
Bank PHB The Gambia Limited (See note (a) below)	100%	2,165,253	(1,176,068)	989,185
Global Bank, Liberia (See note (b) below)	100%	2,697,026	(1,135,628)	1,561,398
Orient Bank, Uganda (See note (c) below)	80%	8,940,040	(6,140,040)	2,800,000
PHB Sierra Leone (See note (d) below)	100%	976,923	(185,423)	791,500
PHB Asset Management Limited (See note (e) below)	80%	320,000	(320,000)	-
BDC PHB Limited (See note (f) below)	100%	500,000	-	500,000
Insurance PHB Limited (See note (g) below)	100%	3,915,000	-	3,915,000
PHB Healthcare Limited (See note (h) below)	100%	100,000	-	100,000
PHB Capital and Trust (See note (i) below)	98%	134,075	(134,075)	-
		<b>19,748,317</b>	<b>(9,091,234)</b>	<b>10,657,083</b>

**(a) Bank PHB The Gambia Limited**

Bank PHB Gambia Limited was incorporated on 10 July 1997 as International Bank for Commerce Limited. The company provides commercial banking services to the general public in accordance with the regulations of the Central Bank of The Gambia and the Banking Act 2009. It was acquired by the erstwhile Bank PHB in January 2008.

**(b) Global Bank , Liberia**

Global Bank Liberia Limited was incorporated on 4 March 2004 in accordance with the Liberia Business Corporation Act of 19 May 1976. The company was granted operating license on 4 February 2005 and commenced operations on 14 February 2005. The company carries out banking activities in Liberia in accordance with the regulations of Central Bank of Liberia and Financial Institutions Act of 1999. It was acquired by the erstwhile Bank PHB in November 2008.

**(c) Orient Bank Uganda**

Orient Bank Uganda Limited was incorporated on 25 October 1990. The principal activities of the company, which is licensed under the Financial Institutions Act, 2004 are the provision of banking, stock brokering and related financial services. The erstwhile Bank PHB Plc acquired controlling interest in the entity in May 2009.

**(d) PHB Sierra Leone Limited**

PHB Sierra Leone Limited was incorporated on 12 June 2008 and commenced operations on 1 July 2009. The company was granted licence by the Bank of Sierra Leone to engage in retail, corporate and commercial banking activities; and international money transfer.

**(e) PHB Asset Management Limited**

The company was incorporated on 1 February 2007 to carry out asset management functions. The company is currently non operational.

**(f) BDC PHB Limited**

BDC PHB Limited was incorporated on 22 June 2009. The company operated as a 'Class A' bureau de change until CBN withdrew all Class A licences in 2010. It then reverted to a class "B" BDC. The company is currently not operational.

**(g) Insurance PHB Limited**

The Company was incorporated on 17 January 1994 as Shieldhold Insurance Company Limited. It was acquired by the erstwhile Bank PHB Plc in February 2007. The Company is licensed to carry out Non-life insurance business.

**(h) PHB Healthcare Limited**

The company was incorporated on 7 February 2005 to operate healthcare maintenance services.

**(i) PHB Capital and Trust Limited**

PHB Capital and Trust Limited was incorporated on 29 June 1992 and commenced operation in August 2005. The company provides Registrar and Trusteeship services. The Company was disposed off effective January 2013.



23.1 Condensed results of consolidated entities  
31 December 2012

**Profit and loss account**

	Bank N'000	BDC PHB Ltd N'000	Insurance PHB Ltd N'000	Global Bank Liberia Ltd N'000	Bank PHB Gambia Ltd N'000	Orient Bank Uganda Ltd N'000	PHB Sierra Leone Ltd N'000	PHB Asset Mgt N'000	PHB Healthcare N'000	PHB CKT Ltd N'000	Total N'000	Consolidation Journal Entries N'000	Group N'000
Operating income	29,192,458	-	1,320,605	472,624	477,246	3,424,573	337,126	(1,356,931)	927,296	33,032	34,828,029	(33,032)	34,794,998
Operating expenses	(32,561,498)	-	(335,983)	(576,159)	(480,594)	(1,294,490)	(236,243)	(25,870)	(82,376)	(43,375)	(36,377,982)	43,375	(36,334,607)
Provision expense	4,675,768	3,762	59,127	(100,531)	(39,709)	(1,157,120)	(163,189)	1,025,630	-	-	4,303,738	-	4,303,738
Profit/(loss) before tax	1,306,728	3,762	1,043,748	(204,067)	(43,056)	972,963	(62,306)	(357,171)	103,527	(10,343)	2,753,785	10,343	2,764,128
Tax	-	-	-	(200,932)	-	(98,752)	-	-	(31,058)	-	(330,742)	-	(330,742)
<b>Profit from continuing operations</b>	1,306,728	3,762	1,043,748	(404,999)	(43,056)	874,211	(62,306)	(357,171)	72,469	(10,343)	2,423,043	10,343	2,433,386
Loss from discontinued operations (net of tax)	-	-	-	-	-	-	-	-	-	-	-	(10,343)	(10,343)
Profit/(Loss) for the year	1,306,728	3,762	1,043,748	(404,999)	(43,056)	874,211	(62,306)	(357,171)	72,469	(10,343)	2,423,043	-	2,423,043
Non-controlling interest	-	-	-	-	-	174,842	-	(71,434)	-	(230)	103,178	-	103,178
Profit/(loss) attributable to Group	<b>1,306,728</b>	<b>3,762</b>	<b>1,043,748</b>	<b>(404,999)</b>	<b>(43,056)</b>	<b>699,369</b>	<b>(62,306)</b>	<b>(285,737)</b>	<b>72,469</b>	<b>(10,113)</b>	<b>2,319,865</b>	-	<b>2,319,865</b>

**Financial position**

	Bank	BDC PHB Ltd	Insurance PHB Ltd	Global Bank Liberia Ltd	Bank PHB Gambia Ltd	Orient Bank Uganda Ltd	PHB Sierra Leone Ltd	PHB Asset Mgt	PHB Healthcare	PHB CKT Ltd	Total	Consolidation Journal Entries	Group
<b>Assets:</b>													
Cash and balances with central banks	38,417,259	8,132	300,163	1,360,094	469,287	5,216,534	333,088	-	31,383	113	46,136,053	(113)	46,135,940
Due from other banks	69,220,117	568,318	2,634,817	1,600,049	1,096,648	3,250,171	285,691	24,814	115,000	6,283	77,361,908	(714,415)	76,647,493
Non - Pledged Trading Assets	24,046,310	-	-	-	193,637	3,123,230	267,609	-	-	-	27,630,786	-	27,630,786
Pledged Trading Assets	5,834,361	-	-	-	-	-	-	-	-	-	5,834,361	-	5,834,361
Loans and advances	67,113,908	-	-	1,731,201	2,886,477	15,467,597	610,494	-	-	-	87,809,676	(181,358)	87,628,318
Insurance receivables	-	-	124,004	-	-	-	-	-	-	-	124,004	-	124,004
Investment securities	101,217,945	-	268,382	-	-	2,212,337	-	1,554,862	-	127,524	105,381,048	(127,523)	105,253,525
Investment in subsidiaries	10,657,083	-	-	-	-	-	-	-	-	-	10,657,083	(10,657,083)	-
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	3,399,149	14,666	372,633	880,108	771,198	161,678	60,843	-	204,382	1,417	5,776,074	(296,326)	5,479,749
Non Current Asset held for sale	601,793	-	-	-	-	-	-	-	-	-	601,793	-	601,793
Investment property	303,500	-	1,427,600	-	-	-	-	-	-	-	1,731,100	-	1,731,100
Intangible Assets	507,114	-	-	-	-	17,531	-	-	-	-	524,645	-	524,645
Property and equipment	28,458,260	-	87,587	426,058	566,149	615,997	98,940	-	29,401	353	30,284,117	(352)	30,283,765
Deferred taxes	-	-	-	-	-	210,563	11,630	-	-	-	222,192	-	222,192
	<b>349,686,799</b>	<b>591,116</b>	<b>5,215,187</b>	<b>4,557,509</b>	<b>5,983,396</b>	<b>30,275,637</b>	<b>1,668,295</b>	<b>1,581,048</b>	<b>380,166</b>	<b>135,690</b>	<b>400,074,841</b>	<b>(11,841,480)</b>	<b>388,233,360</b>
<b>Financed by:</b>													
Deposits from banks	10,148,050	-	-	776,201	895,209	233,104	-	-	-	-	12,052,564	-	12,052,564
Deposits from customers	267,122,764	-	-	21,894,467	4,012,590	23,942,740	890,127	-	29,809	-	298,187,497	(648,603)	297,538,894
Borrowed funds	2,177,259	-	-	-	-	31,975	-	9,064,011	-	-	11,273,245	-	11,273,245
Income tax payable	-	-	13,884	-	27,081	-	-	79,238	32,092	-	152,296	-	152,296
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Non Current Asset held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment contracts liabilities	34,225,881	18,997	74,316	432,178	185,607	1,170,689	23,292	511,475	242,778	68,962	36,954,475	(423,400)	36,530,775
Liabilities on Insurance contract	-	-	-	-	-	-	-	375,604	-	10,408	386,010	(10,406)	375,604
Deferred taxes	-	-	1,177,450	-	-	-	-	-	-	-	1,177,450	-	1,177,450
Retirement benefit obligations	-	-	150,097	-	-	-	4,968	-	-	51,306	155,065	-	155,065
Equity and reserves	36,012,845	572,119	3,799,440	1,159,663	862,909	4,897,129	749,908	(8,449,280)	75,487	5,015	39,685,233	(10,838,440)	28,846,793
	<b>349,686,799</b>	<b>591,116</b>	<b>5,215,187</b>	<b>4,557,509</b>	<b>5,983,396</b>	<b>30,275,637</b>	<b>1,668,295</b>	<b>1,581,048</b>	<b>380,166</b>	<b>135,690</b>	<b>400,074,841</b>	<b>(11,841,480)</b>	<b>388,233,361</b>

**Condensed cash flow**

	Bank	BDC PHB Ltd	Insurance PHB Ltd	Global Bank Liberia Ltd	Bank PHB Gambia Ltd	Orient Bank Uganda Ltd	PHB Sierra Leone Ltd	PHB Asset Mgt	PHB Healthcare	PHB CKT Ltd	Total	Consolidation Journal Entries	Group
Net cash from operating activities	(5,199,503)	(8,132)	70,327	586,805	30,908	(2,098,585)	332,725	(2,909,088)	(12,295)	(45,031)	(9,251,870)	9,646,798	394,928
Net cash from financing activities	(1,395,691)	-	-	-	-	(41,661)	-	1,996,502	-	-	559,150	(1,149,909)	(590,759)
Net cash from investing activities	27,441,156	85,333	24,672	(67,730)	317,177	3,744,227	(19,902)	935,001	84,969	12,604	32,779,547	(9,219,979)	23,559,568
Increase in cash & cash equivalents	<b>20,845,962</b>	<b>77,201</b>	<b>317,939</b>	<b>519,075</b>	<b>348,085</b>	<b>1,603,981</b>	<b>312,822</b>	<b>22,415</b>	<b>72,674</b>	<b>(32,427)</b>	<b>24,086,827</b>	<b>(723,090)</b>	<b>23,363,737</b>
Cash and cash equivalents at start of year	62,766,696	491,117	2,617,942	977,937	1,194,022	5,275,801	296,542	2,399	73,709	38,823	73,734,989	-	73,734,989
Effect of exchange rate changes on the balance of cash held by foreign operations	-	-	-	25,257	26,018	116,074	10,281	-	-	-	177,631	-	177,631
Cash and cash equivalents at end of year	<b>83,612,658</b>	<b>568,318</b>	<b>2,934,981</b>	<b>1,522,269</b>	<b>1,568,126</b>	<b>6,995,857</b>	<b>619,645</b>	<b>24,814</b>	<b>146,383</b>	<b>6,396</b>	<b>97,999,447</b>	<b>(723,090)</b>	<b>97,276,357</b>
Increase in cash & cash equivalents	<b>83,612,658</b>	<b>568,318</b>	<b>2,934,981</b>	<b>1,497,012</b>	<b>1,542,108</b>	<b>6,879,782</b>	<b>609,364</b>	<b>24,814</b>	<b>146,383</b>	<b>6,396</b>	<b>97,821,816</b>	<b>(545,459)</b>	<b>97,276,357</b>

23.1 Condensed results of consolidated entities  
31 December 2011

	Bank	BDC PHB Limited	Insurance PHB Limited	Global Bank Liberia Limited	Bank PHB Gambia Limited	Orient Bank Uganda Limited	PHB Sierra Leone Limited	PHB Asset Management	PHB Healthcare	PHB C&T Limited	Total	Consolidation Journal Entries	Group
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
<b>Profit and loss account</b>													
Operating income	11,443,948	-	1,200,764	206,477	271,548	1,470,318	238,153	(1,183,992)	240,196	12,621	13,900,034	(12,621)	13,887,413
Operating expenses	(14,387,190)	-	(718,145)	(226,673)	(220,813)	(706,484)	(195,194)	(15,842)	(233,242)	(24,379)	(16,759,913)	24,379	(16,705,534)
Impairment charges	(3,067,672)	-	(1,131,708)	(164,994)	(162,647)	93,682	(6,471)	(609,990)	-	-	(5,049,801)	-	(5,049,801)
Profit/(loss) before tax	(6,010,914)	-	(649,089)	(185,190)	(111,912)	857,566	36,488	(1,809,824)	4,954	(11,758)	(7,879,680)	11,758	(7,867,922)
Tax	-	-	(15,742)	-	-	(139,423)	(10,947)	-	(1,486)	-	(167,599)	-	(167,599)
<b>Profit from continuing operations</b>	(6,010,914)	-	(664,831)	(185,190)	(111,912)	718,143	25,542	(1,809,824)	3,468	(11,758)	(8,047,279)	11,758	(8,035,521)
Loss from discontinued operations (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) for the period	(6,010,914)	-	(664,831)	(185,190)	(111,912)	718,143	25,542	(1,809,824)	3,468	(11,758)	(8,047,279)	-	(8,047,279)
Non-controlling interest	-	-	-	-	-	143,628	-	(239,967)	-	(261)	(96,600)	-	(96,600)
Profit/(Loss) attributable to Group	(6,010,914)	-	(664,831)	(185,190)	(111,912)	574,515	25,542	(1,569,857)	3,468	(11,497)	(7,950,679)	-	(7,950,679)
<b>Financial position</b>													
<b>Assets:</b>													
Cash and balances with central banks	32,321,915	8,132	300,025	1,431,505	841,848	3,218,466	167,292	-	69	503	38,289,755	-	38,289,755
Due from other banks	45,119,574	482,985	2,626,047	180,017	352,174	4,469,495	129,249	2,399	73,641	38,320	53,473,903	-	53,473,903
Non-pledged trading assets	28,550,028	-	-	-	448,462	4,657,850	216,247	-	-	-	33,872,588	-	33,872,588
Pledged assets	6,629,968	-	-	-	-	-	-	-	-	-	6,629,968	-	6,629,968
Loans and advances	47,701,434	-	-	1,886,308	2,634,916	13,581,504	512,112	-	-	-	66,316,274	226,138	66,542,411
Insurance receivables	-	-	902,490	-	-	-	-	-	94,819	-	997,309	-	997,309
Investment securities	124,343,216	-	21,179	-	-	4,998	-	-	-	125,799	124,495,193	-	124,495,193
Investment in subsidiaries	10,657,083	-	-	-	-	-	-	-	-	-	10,657,083	(10,657,083)	-
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred taxes	-	-	-	-	-	107,130	-	-	-	-	107,130	-	107,130
Other assets	854,235	135,891	177,693	739,448	562,046	585,703	155,974	2,512	3,656	4,141	3,221,299	(806,580)	2,414,719
Investment property	182,246	-	624,600	-	-	-	-	-	-	-	806,846	-	806,846
Intangible assets	929,226	-	35,433	-	-	23,295	-	-	-	-	987,954	-	987,954
Property and equipment	30,889,892	-	150,838	479,340	609,488	535,412	133,724	8,730	59,338	4,967	32,862,727	-	32,862,727
	328,178,817	627,008	4,838,305	4,716,618	5,448,934	27,183,853	1,314,598	13,641	222,523	173,730	372,718,028	(11,237,555)	361,480,503
<b>Financed by:</b>													
Customer deposits	253,965,125	-	-	2,793,648	4,389,797	21,116,785	483,651	-	-	-	282,749,006	-	282,749,006
Due to other banks	-	-	-	-	142,454	462,352	-	-	-	-	604,806	-	604,806
Investment contracts liabilities	-	-	-	-	-	-	-	375,604	-	97,444	473,048	-	473,048
Borrowed funds	3,572,950	-	-	117,150	-	73,636	-	8,100,268	-	-	11,864,004	-	11,864,004
Income tax payable	-	39,644	70,180	-	-	44,054	-	79,238	1,486	(69,381)	165,222	-	165,222
Other liabilities	41,053,945	18,998	161,188	386,076	103,579	867,605	26,817	1,189,552	54,989	13,941	43,876,791	(399,086)	43,477,705
Provisions on Insurance contract	-	-	979,608	-	-	-	-	-	119,371	-	1,098,979	-	1,098,979
Deferred taxes	-	-	-	-	-	-	681	-	-	-	2,278	-	2,278
Retirement benefit obligations	-	-	5,906	-	1,597	-	-	-	-	-	5,906	-	5,906
Equity and reserves	29,586,797	568,366	3,621,423	1,419,744	811,407	4,619,421	803,449	(9,731,021)	46,677	131,726	31,877,989	(10,838,440)	21,039,549
	328,178,817	627,008	4,838,305	4,716,618	5,448,934	27,183,853	1,314,598	13,641	222,523	173,730	372,718,029	(11,237,556)	361,480,503
<b>Condensed cash flow</b>													
Net cash from operating activities	(265,182,525)	491,117	(552,112)	17,904	75,609	(601,519)	52,926	(8,903,873)	13,948	(11,759)	(274,600,285)	(891,056)	(273,709,229)
Net cash from financing activities	(2,712,526)	-	-	-	-	190,787	-	8,906,272	-	-	6,384,533	806,004	5,578,559
Net cash from investing activities	330,661,747	-	3,170,055	960,033	1,118,413	5,686,533	243,616	-	59,762	50,582	341,950,740	296,623	341,654,117
Increase in cash & cash equivalents	62,766,696	491,117	2,617,942	977,937	1,194,022	5,275,801	296,542	2,399	73,709	38,823	73,734,989	(211,572)	73,523,417
At period end	62,766,696	491,117	2,617,942	977,937	1,194,022	5,275,801	296,542	2,399	73,709	38,823	73,734,989	-	73,734,989

**Keystone Bank Limited and Subsidiary Companies**  
*Consolidated and Separate Financial Statements - 31 December 2012*

**24 Investment in associates**

	<b>GROUP</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>31 Dec 2011</b>	<b>GROUP</b> <b>5 Aug 2011</b>	<b>BANK</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>5 Aug 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>Express Discount House Limited</b>						
At start of period	455,510	455,510	455,510	304,190	304,190	304,190
Provision for diminution in value	(455,510)	(455,510)	(455,510)	(304,190)	(304,190)	(304,190)
	-	-	-	-	-	-

**25 Other assets**

	<b>GROUP</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>31 Dec 2011</b>	<b>GROUP</b> <b>5 Aug 2011</b>	<b>BANK</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>5 Aug 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Stock of consumables	177,379	192,025	195,564	161,813	174,925	194,029
Receivable from AMCON	2,116,579	1,703,479	1,703,479	2,116,579	1,703,479	1,703,479
Intercompany receivable	-	-	-	294,908	263,192	260,882
Prepayments	2,003,874	2,100,495	2,764,005	1,517,391	1,527,130	2,187,936
Other receivables	115,248,062	118,456,424	115,611,116	113,190,213	116,218,950	113,960,706
	119,545,894	122,452,423	120,274,164	117,280,904	119,887,676	118,307,032
Less specific allowances for impairment						
Specific impairment on receivable from AMCON	(1,703,479)	(1,703,479)	(1,703,479)	(1,703,479)	(1,703,479)	(1,703,479)
Specific impairment on other receivables	(112,362,666)	(118,334,225)	(116,245,291)	(112,268,275)	(117,329,962)	(115,241,028)
	<b>5,479,749</b>	<b>2,414,719</b>	<b>2,325,394</b>	<b>3,309,149</b>	<b>854,235</b>	<b>1,362,525</b>

**(a) Reconciliation of impairment account**

	<b>GROUP</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>31 Dec 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
At start of period	120,037,704	117,948,770	119,033,441	116,944,507
Additional charge/(recoveries) during the year (See note 7)	(4,934,730)	2,197,954	(4,930,968)	2,197,954
Amounts written off	(1,036,829)	(109,020)	(130,719)	(109,020)
At end of period	<b>114,066,145</b>	<b>120,037,704</b>	<b>113,971,754</b>	<b>119,033,441</b>

**26 Non-current assets and non-current liabilities held for sale**

	<b>GROUP</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>31 Dec 2011</b>	<b>GROUP</b> <b>5 Aug 2011</b>	<b>BANK</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>5 Aug 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Property and equipment (See a below)	601,793	-	-	-	-	-
PHB Capital and Trust (See b below)	135,690	-	-	-	-	-
	<b>737,483</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- (a) This represents the carrying amount of the Bank's landed property situated at No 10 Kingsway Road, Ikoyi, Lagos, which was reclassified from property and equipment during the year (See note 29). The carrying amount of this property will be realised principally through sale rather than through continuing use.
- (b) The assets and liabilities of PHB Capital and Trust Limited are presented as non-current assets and liabilities held for sale following the commitment of the Group's management to a plan to sell the operations of the subsidiary. Efforts to sell the subsidiary have commenced and the sale is expected within 12 months from the end of the reporting period. As at 31 December 2012, the disposal groups comprised assets of N135,690,000 less liabilities of N130,675,000 as follows:

Cash and cash equivalents (See note 43(b))	6,396
Investment securities	127,524
Other assets	1,417
Property and equipment	353
<b>Total assets</b>	<b>135,690</b>
Liability on investment contracts	10,408
Deferred income tax liability	51,306
Other liabilities	68,961
<b>Total liabilities</b>	<b>130,675</b>
<b>Net assets of disposal group</b>	<b>5,015</b>

**27 Investment properties**

	<b>GROUP</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>31 Dec 2011</b>	<b>GROUP</b> <b>5 Aug 2011</b>	<b>BANK</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>5 Aug 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Fair value at start of period	806,846	838,390	-	182,246	143,267	-
On acquisition	-	-	838,390	-	-	143,267
Additions	803,000	-	-	-	-	-
Reclassification from property and equipment	-	38,979	-	-	38,979	-
Fair value gain/(loss)	121,254	(70,523)	-	121,254	-	-
At end of period	<b>1,731,100</b>	<b>806,846</b>	<b>838,390</b>	<b>303,500</b>	<b>182,246</b>	<b>143,267</b>



28 Intangible assets

	<b>GROUP</b> <b>31 Dec 2012</b>	<b>GROUP</b> <b>31 Dec 2011</b>	<b>BANK</b> <b>31 Dec 2012</b>	<b>BANK</b> <b>31 Dec 2011</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>At 1 January 2012</b>				
<b>Cost</b>				
At start of period	2,369,934	2,311,206	2,194,097	2,194,097
Reclassification from property and equipment	-	35,432	-	-
Additions	19,452	23,296	19,038	-
At end of period	<b>2,389,386</b>	<b>2,369,934</b>	<b>2,213,135</b>	<b>2,194,097</b>
<b>Accumulated Amortisation</b>				
At start of period	1,381,980	1,189,606	1,264,871	1,081,720
Charged for the period	482,761	192,375	441,150	183,151
	<b>1,864,741</b>	<b>1,381,980</b>	<b>1,706,021</b>	<b>1,264,871</b>
Net Book Value at the end of the period	524,645	987,954	507,114	929,226
Net Book Value at the beginning of the period	987,954	1,121,600	929,226	1,112,377

(a) No leased assets are included in the above intangible asset account as at the balance sheet date (2011: Nil).



29 Property and equipment

	Work in progress	Leasehold improvement	Leasehold land & buildings	Motor vehicles	Furniture, fittings & equipment	Computer equipment	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
<b>(a) Group December 2012</b>							
<i>Cost</i>							
At start of year (as restated)	3,068,879	8,844,700	24,332,779	5,261,781	8,709,163	3,253,220	53,470,522
Additions	170,629	171,900	53,405	158,203	492,343	1,307,921	2,354,401
Disposal	(37,998)	(8,141)	-	(486,568)	(23,659)	(20,521)	(576,887)
Reclassification	(145,506)	13,149	-	17,516	12,339	102,502	-
Reclassification to non-cuurent asset held for sale (See note 26)	(601,793)	-	-	(1,338)	(261)	(3,367)	(606,759)
Exchange difference	(12,432)	(9,653)	(5,023)	37,085	(189,010)	140,351	(38,682)
At 31 December 2012	2,441,779	9,011,955	24,381,161	4,986,680	9,000,914	4,780,106	54,602,595
<i>Accumulated depreciation</i>							
At start of year (as restated)	-	6,006,547	2,211,137	4,053,750	5,837,117	2,499,244	20,607,795
Charge for the year	-	1,334,333	419,629	585,571	1,189,941	543,286	4,072,760
Disposals	-	(153)	-	(381,113)	(9,702)	(11,627)	(402,595)
Reclassifications	-	-	-	-	-	-	-
Exchange difference	-	(2,089)	22,736	8,138	(89,615)	101,700	40,870
At 31 December 2012	-	7,338,638	2,653,502	4,266,345	6,927,742	3,132,603	24,318,830
<i>Impairment</i>	-	-	-	-	-	-	-
Net book amount							
At 31 December 2012	2,441,779	1,673,318	21,727,659	720,335	2,073,173	1,647,502	30,283,765
At start of year (as restated)	3,068,879	2,838,153	22,121,642	1,208,031	2,872,046	753,976	32,862,727
<b>(b) Bank December 2012</b>							
<i>Cost</i>							
At start of year (as restated)	3,005,810	8,482,331	23,149,249	4,622,215	7,833,739	2,664,381	49,757,725
Additions	-	152,690	45,509	124,607	474,414	1,243,292	2,040,512
Disposals/ Write-offs	-	(5,605)	-	(430,446)	(23,325)	(4,143)	(463,519)
Reclassification to non-cuurent asset held for sale (See note 25)	(601,793)	-	-	-	-	-	(601,793)
At 31 December 2012	2,404,017	8,629,416	23,194,758	4,316,376	8,284,828	3,903,530	50,732,925
<i>Accumulated depreciation</i>							
At period start	-	5,904,916	1,874,148	3,668,069	5,386,573	2,034,127	18,867,833
Charge for the year	-	1,290,460	394,218	475,727	1,131,444	470,347	3,762,196
Reclassification to non-cuurent as	-	-	-	-	-	-	-
Disposals/ Write-offs	-	(153)	-	(341,588)	(9,687)	(3,936)	(355,364)
At 31 December 2012	-	7,195,223	2,268,366	3,802,208	6,508,330	2,500,538	22,274,665
<i>Impairment</i>	-	-	-	-	-	-	-
Net book amount							
At 31 December 2012	2,404,017	1,434,193	20,926,392	514,168	1,776,498	1,402,992	28,458,260
At start of year (as restated)	3,005,810	2,577,415	21,275,101	954,146	2,447,166	630,254	30,889,892



<b>Property and equipment</b>							
	<b>Work in progress</b>	<b>Leasehold improvement</b>	<b>Leasehold land &amp; buildings</b>	<b>Motor vehicles</b>	<b>Furniture, fittings &amp; equipment</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>(c) Group December 2011</b>							
<i>Cost</i>							
On acquisition at August 5 2011	3,212,886	8,787,388	24,319,629	5,142,634	8,595,961	5,509,087	55,567,585
Additions	43,353	61,646	38,476	269,926	76,767	66,503	556,671
Disposal	(3,509)	(35,960)	(56,619)	(162,102)	(9,008)	(262)	(267,460)
Reclassification	(59,534)	57,035	(42,629)	-	6,149	(35,433)	(74,412)
Exchange difference	(124,317)	(25,409)	73,922	11,323	39,294	(2,286,675)	(2,311,862)
At period end	3,068,879	8,844,700	24,332,779	5,261,781	8,709,163	3,253,220	53,470,522
<i>Accumulated depreciation</i>							
On acquisition at August 5 2011	-	5,371,628	1,967,073	3,870,029	5,268,074	3,482,531	19,959,335
Charge for the year	-	600,158	226,604	275,244	545,180	173,237	1,820,423
Disposals/ Write-offs	-	(26,134)	-	(99,003)	(8,355)	(220)	(133,712)
Reclassification	-	26,691	(26,691)	-	-	-	-
Exchange difference	-	34,204	44,151	7,480	32,218	(1,156,304)	(1,038,251)
At period end	-	6,006,547	2,211,137	4,053,750	5,837,117	2,499,244	20,607,795
Impairment	-	-	-	-	-	-	-
Net book amount At period end	3,068,879	2,838,153	22,121,642	1,208,031	2,872,046	753,976	32,862,727
On acquisition at August 5 2011	3,212,886	3,415,760	22,352,555	1,272,605	3,327,888	2,026,556	35,608,250
<b>(d) Bank December 2011</b>							
<i>Cost</i>							
On acquisition at August 5 2011	3,048,298	8,436,440	23,210,021	4,535,046	7,799,286	2,615,016	49,644,107
Additions	-	39,222	38,476	178,826	43,461	49,627	349,612
Disposals/ Write-offs	(3,509)	(35,960)	(56,619)	(91,657)	(9,008)	(262)	(197,015)
Reclassification	(38,979)	42,629	(42,629)	-	-	-	(38,979)
At period end	3,005,810	8,482,331	23,149,249	4,622,215	7,833,739	2,664,381	49,757,725
<i>Accumulated depreciation</i>							
On acquisition at August 5 2011	-	5,318,097	1,697,917	3,524,678	4,886,773	1,903,003	17,330,468
Charge for the year	-	586,262	202,922	227,912	508,155	131,344	1,656,595
Reclassification	-	26,691	(26,691)	-	-	-	-
Disposals/ Write-offs	-	(26,134)	-	(84,521)	(8,355)	(220)	(119,230)
At period end	-	5,904,916	1,874,148	3,668,069	5,386,573	2,034,127	18,867,833
Impairment	-	-	-	-	-	-	-
Net book amount At period end	3,005,810	2,577,415	21,275,101	954,146	2,447,166	630,254	30,889,892
On acquisition at August 5 2011	3,048,298	3,118,343	21,512,104	1,010,368	2,912,513	712,013	32,313,639